



MAINE REVENUE SERVICES

Income Tax Division - REW

P. O. Box 1064

Augusta, Maine 04332-1064

Tel. 207-626-8473

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NOTIFICATION TO SELLER(S) OF WITHHOLDING TAX REQUIREMENT

Real estate withholding applies to the transfer of any real property located in Maine. Easements are considered real property.

Every buyer of Maine real property must withhold state income tax from the total consideration paid for the property (\$50,000 or more) if the seller is not domiciled in the State of Maine as of the date of closing.

This applies to an individual, firm, partnership, association, society, club, corporation, estate, trust, receiver, assignee or any other group or combination acting as a unit.

This is not a tax. Similar to payroll deduction, it is a withholding of state income tax that is claimed as an estimated tax payment on Maine's income tax return. If you have a recognized gain relating to the sale of Maine property, you are generally required to file a Maine income tax return for the taxable period in which the sale occurred, regardless of the sale price of the property.

RATE OF WITHHOLDING:

The rate of withholding is 2.5 % of the total consideration (total sales price). At the request of the seller, the State Tax Assessor may prescribe a reduced amount of withholding, equal to the gain multiplied by 7.95 % (8.93% for a C corporation).

Form REW-5 (Request for Exemption or Reduction in Withholding of Maine Income Tax on the Disposition of Maine Real Property) can be submitted to request a reduction or elimination of the withholding. Exemptions will be issued for losses on the sale of the property, exclusion of gain on sale of principal residence and like-kind exchanges. Reduction of withholding is issued based only on gains and installment sales. For additional information, please call the number listed above.

All requests for exemption or reduced withholding must be completed prior to the sale transaction closing date. Form REW-5 must be completed and submitted with supporting documents to: Maine Revenue Services, Income Tax Division/REW, Post Office Box 1064, Augusta, Maine 04332-1064. If you have questions regarding real estate withholding, please call 207-626-8473. Documents may be faxed to 207-624-5062 or e-mailed to realestate.withholding@maine.gov.